

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA

v.

ELIZABETH McMAHAN

)
)
)
)

Criminal No.

Erie

(18 U.S.C. § 1343)

15-36

I N D I C T M E N T

The grand jury charges:

Introduction

At all times material to this Indictment:

1. The defendant, ELIZABETH McMAHAN, was a resident of the Western District of Pennsylvania.

2. National Tool Grinding was a corporation based in Erie, Pennsylvania that began operations in 1987. In addition to its original business, tool grinding, National Tool Grinding was also the parent company of US Netting, a company which sold a variety of different netting products, including netting and netting material for a variety of different uses and purposes.

3. US Netting advertised its products primarily on the Internet via websites such as Google and Bing. US Netting made its products available primarily on the Internet via a website that listed the company's products and services.

4. US Netting customers could place orders through the company website or by phoning the company and placing an

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order with a sales employee.

5. National Tool Grinding and its subsidiary US Netting utilized First National Bank of Pennsylvania (FNB) for its commercial banking needs, including credit card sales. In turn, FNB contracted with Sage Payment Solutions, located in McLean, Virginia, to handle credit card processing for FNB's commercial banking clients, including National Tool Grinding and its subsidiary US Netting. Sage processed credit card transactions at a location in Arizona.

6. The defendant, ELIZABETH McMAHAN, was employed as a sales associate with National Tool Grinding and its subsidiary US Netting, in Erie, Pennsylvania.

THE SCHEME

7. From in and around June 2010, and continuing thereafter to in and around August 2014, in the Western District of Pennsylvania and elsewhere, the defendant, ELIZABETH McMAHAN, devised and intended to devise a scheme and artifice to defraud and for obtaining money by means of false and fraudulent pretenses, representations and promises, well knowing at the time that the pretenses, representations and promises were false and fraudulent when made.

8. It was a part of the scheme and artifice to defraud that the defendant, ELIZABETH McMAHAN, as a sales employee of US Netting, interacted with prospective customers of

US Netting who contacted the company and were interested in purchasing US Netting products offered for sale.

9. It was further a part of the scheme and artifice to defraud that after the defendant, ELIZABETH McMAHAN, determined the US Netting retail price for the items desired by the prospective customer, she would offer to the prospective customer a discount on the retail price far below the discount she was allowed to offer by her employer.

10. It was further a part of the scheme and artifice to defraud that after the customer agreed to purchase the items at the unauthorized discount price, the defendant, ELIZABETH McMAHAN, would finalize the sale at the unauthorized discounted price and take the necessary steps to ensure that the product was ultimately provided to the customer.

11. It was further a part of the scheme and artifice to defraud that the defendant, ELIZABETH McMAHAN, would then submit the sales completed with the unauthorized discounts to her employer, resulting in payments of sales commissions on numerous sales that her employer was not aware were offered and completed by the defendant at an unauthorized discounted price.

12. It was further a part of the scheme and artifice to defraud that the defendant, ELIZABETH McMAHAN, also submitted fraudulent sales information to her employer which included sales that never occurred and sales information that was altered

in order to increase the defendant's commission.

13. It was further a part of the scheme and artifice to defraud that the defendant, ELIZABETH McMAHAN, also sought from her employer payment of commissions based in part on shipping expenses which the defendant knew she was not authorized to receive.

14. It was further a part of the scheme and artifice to defraud that the defendant, ELIZABETH McMAHAN, then utilized the funds obtained from the scheme to defraud for her own living expenses and for other items such as travel, entertainment and family related expenditures.

15. It was further a part of the scheme and artifice to defraud that the defendant, ELIZABETH McMAHAN, undertook numerous steps to hide her illegal activity from her employer, including, but not limited to, falsifying commission reports, failing to disclose on invoices submitted to her employer unauthorized discounts offered to customers, and providing false testimony at an unemployment compensation hearing.

16. In total, the defendant, ELIZABETH McMAHAN's, scheme and artifice to defraud resulted in lost revenue for National Tool Grinding of approximately \$1,835,341. The scheme and artifice to defraud also resulted in increased sales volume for the defendant, ELIZABETH McMAHAN, thereby increasing her commission compensation by approximately \$200,000, to which the

defendant, ELIZABETH McMAHAN, was not entitled.

THE WIRE COMMUNICATIONS

17. On or about the dates specified below, in the Western District of Pennsylvania and elsewhere, the defendant, ELIZABETH McMAHAN, for the purpose of executing and attempting to execute the scheme and artifice to defraud, did transmit and cause to be transmitted in interstate and foreign commerce, by wire communications, certain writings, signs and signals, as more particularly set forth below, each such wire communication being a separate count of this Indictment:

Count	Date (on or about)	Sender	Receiver	Wire Communication
1	1/13/12	RSI Roofing San Diego, CA	National Tool Grinding Erie, PA	credit card payment
2	4/30/12	Erie Deck Hockey Erie, PA	National Tool Grinding Erie, PA	credit card payment
3	6/19/12	W.S. Jenks & Son Washington, DC	National Tool Grinding Erie, PA	credit card payment
4	9/5/12	Well Services New Iberia, LA	National Tool Grinding Erie, PA	credit card payment
5	10/9/12	Accurate Machine & Tool Madison, AL	National Tool Grinding Erie, PA	credit card payment
6	11/9/12	Snohomish Co Fire Stanwood, WA	National Tool Grinding Erie, PA	credit card payment
7	11/16/12	Jump Start Gymnastics Peoria, IL	National Tool Grinding Erie, PA	credit card payment
8	11/29/12	Rocktenn Paper Cincinnati, OH	National Tool Grinding Erie, PA	credit card payment

Count	Date (on or about)	Sender	Receiver	Wire Communication
9	1/15/13	Upper River Services St. Paul, MN	National Tool Grinding Erie, PA	credit card payment
10	6/6/13	Eat Dirt Mud Run Kentwood, MI	National Tool Grinding Erie, PA	credit card payment
11	6/18/13	Days Inn Energy St. Catherines, ON	National Tool Grinding Erie, PA	credit card payment
12	6/19/13	Keystone Concrete Houston, TX	National Tool Grinding Erie, PA	credit card payment
13	7/1/13	N.S. Hohenwold, TN	National Tool Grinding Erie, PA	credit card payment
14	8/5/13	Goruck McGaheysville, VA	National Tool Grinding Erie, PA	credit card payment
15	10/3/13	High Prefab Linden, VA	National Tool Grinding Erie, PA	credit card payment
16	10/14/13	F.S. Santa Ana, CA	National Tool Grinding Erie, PA	credit card payment
17	10/30/13	G&K Services Charlotte, NC	National Tool Grinding Erie, PA	credit card payment
18	11/6/13	The Strong Rochester, NY	National Tool Grinding Erie, PA	credit card payment
19	11/22/13	CCC Group, Inc. Darrow, LA	National Tool Grinding Erie, PA	credit card payment
20	11/26/13	D.L. Dubuque, IA	National Tool Grinding Erie, PA	credit card payment
21	12/9/13	N.W. Shreveport, LA	National Tool Grinding Erie, PA	credit card payment
22	12/13/13	M.H. Charlottesville, VA	National Tool Grinding Erie, PA	credit card payment
23	12/17/13	Northridge Electric Bernalillo, NM	National Tool Grinding Erie, PA	credit card payment
24	3/14/14	Pennbriar Erie, PA	National Tool Grinding Erie, PA	credit card payment
25	4/15/14	Show FX! Santa Fe Springs, CA	National Tool Grinding Erie, PA	credit card payment

All in violation of Title 18, United States Code,
Section 1343.

FORFEITURE ALLEGATIONS

1. The Grand Jury realleges and incorporates by reference the allegations contained in Counts One through Twenty-Five of this Indictment for the purpose of alleging criminal forfeitures.

2. As a result of the commission of the violation charged in Counts One through Twenty-Five of this Indictment, the defendant, ELIZABETH McMAHAN, did acquire the following property that was involved in such violations, or is traceable to property involved in such violations, thereby subjecting said property to forfeiture to the United States of America pursuant to Title 18, United States Code, Section 981(a)(1)(C): 2010 Dodge Caravan SXT Vehicle Identification Number (VIN) 2D4RN5D14AR138708.

3. If through any act or omission by the defendant, ELIZABETH McMAHAN, any or all of the property described in paragraph 2 above (hereinafter the "Subject Property"):

a. Cannot be located upon the exercise of due diligence;

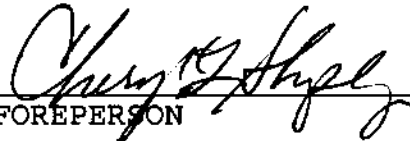
b. Has been transferred, sold to, or deposited with a third person;

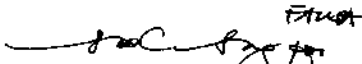
c. Has been placed beyond the jurisdiction of the Court;

d. Has been substantially diminished in value; or

e. Has been commingled with other property which cannot be subdivided without difficulty, the United States intends to seek forfeiture of any other property of the defendants up to the value of the Subject Property forfeitable above pursuant to Title 18, United States Code, Section 982(b)(1).

A True Bill,


FOREPERSON


DAVID J. HICKTON
United States Attorney
PA ID No. 34524